Present: Mr Jeremy McIlroy (Chairman), Mr Paul Blagbrough, Mr Gurpreet Dehal, Mrs Margaret Jack, Registrar and Director of Operations Mr Simon Higman (from item 8), Deputy Principal Professor Rob Kemp, Principal Professor Paul Layzell, Director of Finance Mr Graeme Robinson

With: The Deputy Director of Finance Mrs Jenny Febry (Secretary)

In attendance: Mr Stephen Bland, Mr John Carroll, President of the Students’ Union Mr Amarbeer Singh-Gill, Mr Nelson Mendes (to item 7), Mr Nick Berg (to item 7)

Apologies: Mr Iain Ross

1 MEMBERSHIP

Mr Amarbeer Singh-Gill, President of the Students’ Union was welcomed to the meeting.

The resignation of Dr Jackie Hunter with effect from 30 June 2013 was noted.

2 APOLOGIES

Apologies were received from Mr Iain Ross.

3 MINUTES

After amendment of the first sentence of the second paragraph under 7.1 to read ‘The results to date were satisfactory despite total income being slightly below budget’ the minutes of the meeting held on 9 May 2013 were CONFIRMED and signed.

4 MATTERS ARISING

NOTED that Council APPROVED the Financial Forecast and commentary for submission to HEFCE and the Revenue and Capital Budgets
DECISIONS AGREED BY CHAIR’S ACTIONS AND BY CIRCULATION SINCE THE LAST MEETING

NOTED that the disposal of various items of equipment from the School of Biological Sciences totalling £29k total sales value was agreed by Chair’s Action.  

IDENTIFICATION OF ITEMS FROM THE AGENDA TO BE UNSTARRED

No items from the agenda were unstarred for discussion during the meeting.

STUDENTS’ UNION

RECEIVED the Students’ Union Management Accounts for the period to 31 July 2013. The Financial Statements were still being prepared and would be circulated after the meeting.

The results showed a break even position with a small surplus of £3k. Income was £915k against a budget of £908k and the income of the lettings agency was £7k better than budget. The results from bars, events and coffee bars were disappointing at a contribution of £97k against a budget of £108k.

The Students’ Union was congratulated on a good overall set of results.

FINANCIAL MONITORING

RECEIVED and NOTED the Management Accounts for the year ended 31 July 2013.

The surplus of £6.3m was £1.3m less than the original budget with the variance comprising three main elements; a £3m shortfall in tuition fees, a benefaction of £800k and an increase in surplus over budget of £700k from RCS.

The overall result was in line with the last forecast. The main changes since the last estimate were noted. Tuition fee income had reduced by £200k due to fee adjustments and detailed deferral of PG income. Indirect contributions from research grants and other courses was better than anticipated by £570k in total, including income recognition of some older grant balances which had been reviewed as part of the transfer of data to Agresso.

Staff costs were £200k lower than previously estimated but non staff costs were higher for a variety of reasons. In academic departments the carry forward of non-staff budgets by academics had been reformulated. If balances were not utilised within three years by the academics, they would be transferred to the control of the department for strategic use. This had led to an increase of expenditure. The budget for 2013-14 included an expectation that around £300k of brought forward balances would be
Administrative non-staff costs were affected by higher than anticipated legal costs. The Facilities Management non-staff costs included additional planned and reactive maintenance which was taken into account for the 2013-14 budget.

It was noted that energy costs were considerably in excess of budget. There was a strategic plan to manage energy use by increasing awareness and changing behaviour. The latest figures showed a 17% reduction in consumption from the 2005-06 base and there was a carbon management plan in place to reduce consumption year-on-year.

It was noted that the underspend against the contingency budget was not carried forward from one year to the next.

8.2 RECEIVED the draft Financial Statements for College together with paper FC/13/56 which detailed minor amendments following review by the Chairs of the Finance and Audit & Compliance Committees. It was noted that there was one further amendment on page 11 to correct the name of the Council Executive as the committee with which the Nominations Committee was combined from 2 October 2013.

The Operating and Financial Review (OFR) summarised the results including a reduced surplus in absolute and percentage terms compared to the previous year. The cash position was comparable to the previous year although there was a change in the mix of deposits.

The OFR referenced the new College strategy including its principal risks and referred to the forthcoming valuation of the College’s pension schemes and the potential for additional contributions.

The Financial Statements were RECOMMENDED to Council for APPROVAL.

8.3 RECEIVED the Auditors’ Commentary on the Consolidated Financial Statements and noted that the audit was substantially complete with no management letter points raised. A small change in valuation of the pictures had not been included in the financial statements as it would not have affected the Income and Expenditure Account. There would be a more formal three year valuation of the picture collection in 2014.

8.4 RECEIVED the financial statements for Royal Holloway Enterprise Limited (RHE). The company undertook third party consulting and technical services and there had been an increase in turnover from the previous year. The majority of the profits of the company was distributed via Gift Aid to College.

The activity of the company was still at a very low level and was dependant on a small number of academics. The focus in the previous year had been research activity in light of the forthcoming Research Excellence Framework
submission (REF). RHUL’s position in the league tables was due to its research excellence and the REF was the biggest risk to student recruitment.

A member of staff had been engaged on a short term basis to encourage industrial links but these might result in activity in RHUL such as student sponsorship and sponsored research rather than consultancy income.

The Financial Statements were RECOMMENDED to the Board of Royal Holloway Enterprise Limited for signature.

8.5 RECEIVED a report on the Founder’s Endowment Fund. The income and expenditure was included in the College’s accounts and was audited as such. There was a surplus of income over expenditure during the year, while the value of the investments had increased over £3m. The accounts were prepared to show that the income was used in accordance with the scheme approved when the pictures were sold.

9 FINANCIAL MONITORING AND STRATEGY

9.1 RECEIVED a report on key financial risks. The first student head count was on 1 October with a final count on 1 December. As previously reported to Council student numbers of ABB+ students were less than target. The students with less than ABB were very close to the control number for the second year and it was anticipated that the final numbers would be 15 students over the control number.

Overseas undergraduate recruitment was encouraging but recruitment of HEU PGT students was disappointing in a very challenging market. It was anticipated that the shortfall in student recruitment would result in a reduction of £2.4m of income and £2.3m of surplus. However action had already begun to reduce cost and there was substantial work to increase recruitment. A new recruitment and admissions unit had been created and a new Head of Admissions was being recruited. Student recruitment would be the subject for the next Council Strategy Day.

It was noted that the Finance Committee in February 2014 would receive the next medium term forecast.

The next valuation of the USS pension scheme would be in March 2014 with the outcome determined by June 2015 which would be the deadline for agreeing a recovery plan with the Pensions Regulator. If there were a recovery plan in place, College would have to recognise its share of the additional contributions as a liability on the balance sheet under the new Financial Reporting Standard to be introduced from 2015-16.

It was noted that the proposed 1% cost of living pay increase with effect from 1 August 2013 had been rejected by some of the Unions and there would be industrial action.

9.2 RECEIVED a report on the HEFCE Financial Forecast Statistics which
HEFCE collate from Higher Education Institutions. The statistics show that the 2012-13 surplus was in line with the sector but College forecasted a proportionately higher drop in surplus for 2015-16 due to lower than average forecast growth in student numbers.

10 CAPITAL PROJECTS

10.1 RECEIVED a report on major capital projects. There had been considerable progress on the estates masterplan. After wide discussion, the principles had been frozen to develop a plan for submission in early December. The plan would be submitted to Council in November. Costs to date had been met from within approved budgets. However there was a strong likelihood that the plan would have to be submitted to central government for review which could lead to delays and additional cost.

There were still snagging to complete on the new Theatre and the final payment was yet to be agreed. The projected overspend could be up to £108k against £20k previously advised to the Finance Committee but the variance was in dispute with the contractor.

The library development was progressing with an anticipated opening date of July 2016 although this could be delayed if there were planning consent issues.

The boiler room redevelopment to a 250 seat lecture theatre had been well received and had enabled additional student recruitment in certain departments. There was a potential overspend of £151k on a £3.9m contract with water ingress in two rooms yet to be resolved. It was possible that the main contract would be finalised and the two rooms separated into a separate contract.

The Founder’s Residential Refurbishment was completed with an underspend of £57k against budget and was welcomed by incoming students and their parents.

The sports facilities were being upgraded, utilising the Margaret Young bequest and additional College funds. A 3g pitch was being laid which would enable hockey to be played once more at College.

It was noted that this was the last Finance Committee to be attended by Stephen Bland. He was thanked for his enormous contribution to the committee over the years.

10.2 RECEIVED a report on the new Finance System. The system had gone live on 1 August 2013 as planned and was operating effectively. The implementation of the fixed asset and web expenses modules had been rescheduled to the spring of 2014 but the project remained within budget.

11 FINANCIAL POLICIES AND PROCEDURES

11.1 RECEIVED a proposal for the level of tuition fees for 2014-15 based on the
model introduced a couple of years previously.

The main increases were a 3% increase across the board with various exceptions. HEU UG fees were fixed at £9k per annum and HEU PG research fees were set by Research Council Guidelines but the 2014-15 levels were still to be advised. Overseas PG Research fees were not increased in order to remain competitive.

For HEU postgraduate taught, the lowest fee band was increased by more than 3% to be more in line with competitors’ fees.

The deposit required for overseas students was increased to £2k which was still below average for the sector. The fees for a year abroad or in industry were in line with HEFCE guidelines. There were costs for students abroad or in industry including pastoral and supervisory care and teaching costs of students received by College in exchange for which there was no fee income.

The proposed tuition fees for 2014-15 were APPROVED.

It was AGREED that the fees yet to be determined would be agreed by Chair’s Action.

12 INVESTMENT SUB-COMMITTEE

RECEIVED a verbal report from the Investment Sub-Committee, which had included presentations from the two fund managers, Aberdeen Asset Management (AAM) and Newton Investment Managers (NIM).

The performance of the funds had been good over the last year and each manager took a different view of the allocation of funds and risk.

13 ENTERPRISE SUB COMMITTEE

NOTED a report from the Enterprise Sub-Committee.

14 DEBT COLLECTION AND IRRECOVERABLE DEBT UNDER £5,000

NOTED the report on Student Fees Debtors.

15 BENEFACtIONS AND DONATIONS

NOTED that since May 2013 a benefactions of £50k had been received; fundraising income since that date totalled £46,607.

16 FINANCIAL REGULATIONS

NOTED that there had been four cases where, for good reason, the normal process for obtaining competitive tenders had not been followed.
17  **FOUNDER’S ENDOWMENT FUND**

NOTED that the value of the Founder’s Endowment Fund on 30 September 2013 was £33,756k (£33,473k reported on 9 May 2013) compared to the protected value of £36,238k.

FC/13/212

18  **PUBLICATION**

18.1 AGREED that none of the agenda items required broad dissemination around the College with the exception of the agreed Tuition Fees for 2014-15.

FC/13/213

18.2 CONFIRMED that the papers were correctly designated for Freedom of Information Act purposes.

FC/13/214

19  **DATE OF THE NEXT MEETING**

NOTED that the date of the next meeting was Thursday 6 February 2014 at 2 pm in the Huntersdale Boardroom.

J Febry
Deputy Director of Finance
25 November 2013

FC/13/215